



Susan Bysiewicz
SECRETARY OF THE STATE
CONNECTICUT

**Testimony of Secretary of the State Susan Bysiewicz
Energy and Technology Committee
March 12, 2009**

Good afternoon distinguished Co-chairs Senator Fonfara and Representative Nardello, and members of the Energy and Technology Committee.

For the record, my name is Susan Bysiewicz, and I am the Secretary of the State. I am here today to offer testimony in support of Committee Bill **H.B. No. 6127 - An Act Concerning Utility Deposits for Business Customers**.

As the state's chief business registrar, I applaud your committee for introducing this bill particularly given the current economic crisis and the impact escalating energy costs are having on businesses across our state. Since 1999, I have worked to promote small business development and growth in the state given that ninety-six (96) percent of new job growth in Connecticut in the last ten years has been spurred by businesses of fifty (50) or fewer employees. Through my daily interactions with Connecticut's business owners, I hear time and time again that rising energy and health care costs are the two major obstacles to success.

Currently, new business owners must pay their utility companies a three-month security deposit based on the first month of actual energy consumption. As you know, this policy was approved by the Department of Public Utility and is currently permissible under state law. However, for small businesses already struggling with increased health care and administrative costs, a tight credit market, and decreasing sales and revenue, the prospect of paying in some cases thousands of dollars in the form of a utility deposit is a major barrier. This is especially the case for new entrepreneurs hoping to start a business and for those trying to keep their doors open in this challenging economy.

According to a 2008 study released by the U.S. Small Business Administration, the impact of energy costs is significantly more pronounced for small businesses than for large firms. On average, as a percentage of revenue, small manufacturers pay 30% more for fuel oil and electricity and 20% more for natural gas than larger firms. By the same measure, the study found that in the commercial sector energy costs for small businesses are nearly triple that of large firms.

As consumers, we all vividly remember last year's record high gas and oil prices – prices that may spike again at any time given the uncertain market. Connecticut small businesses also experienced that extreme increase in energy costs last year, and are still paying for it.

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Indeed, these high energy costs were key factors in the grim business statistics in my business starts and stops report for 2008. Please let me share those with you:

- (1) In 2008, some 13,456 businesses filed paperwork to dissolve their company, the highest such annual figure since these numbers were first recorded in 2000. This represents an 18% increase in business stops over the 2007 figure, which is the highest year-to-year increase in business closings on record.
- (2) The numbers also reveal that Connecticut had 27,483 new business starts in 2008, which is the 2nd lowest annual figure on record. Only 2003, a post-recession year, saw fewer new business starts. That figure represents an 11% decrease in new business start-ups as compared with 2007, which is the highest year-to-year decline in business starts ever recorded.

In a January 2009 profile issued by the U.S. Small Business Administration, the agency concluded that our state depends on small business for jobs and economic growth, and that we as policymakers must remember that small businesses provide the economic base for Connecticut's families and communities.

Connecticut must adopt more flexible and small-business-friendly policies to promote the growth and stability of such an important sector in our economy. If we do not take action, we will continue to see rising unemployment, loss of income and tax revenue, home foreclosures, and many other economic and social consequences.

I understand that CL & P and Yankee Gas Company last fall indicated plans to review their policies on business security deposits, and I applaud their efforts to do so.

However, to ensure a comprehensive and affordable policy for all business customers across the state, I strongly support passage of H.B. No. 6127 by your committee and the General Assembly.

Thank you for giving me the opportunity to testify before you today on this bill which promises to have a positive impact on small businesses in Connecticut.

I would be pleased to answer any questions that you may have for me on this important issue.